

## Message Text

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70

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-09 ISO-00 AGR-05 AID-05

IO-10 COME-00 TRSE-00 CIAE-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 SP-02 CIEP-01 OMB-01 PA-01 PRS-01

USIA-06 H-02 L-02 FEA-01 /093 W

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R 071511Z APR 75

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 5068

INFO AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LOME

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY NEW DELHI

AMEMBASSY NOUAKCHOTT

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TUNIS

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E.O. 11652: N/A

TAGS: EAGR EAID EALR ECEM ECON EFIN EMIN MO

SUBJECT: MOROCCAN PHOSPHATE EXPORTS: DEMAND SOFTENS

REF: A. NEUMANN/STOWASSER MEMCON OCTOBER 22, 1974 (NOTAL)

B. RABAT 6127 DEC 19, 74, PARA 7 (NOTAL)

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C. RABAT 943 (NOTAL)

1. IMF TEAM IN RABAT TO EVALUATE PERFORMANCE MOROCCAN ECONOMY. TEAM LEADER DINI TOLD ECOUN THAT FINANCE MINISTER BENSLIMANE CONCERNED ABOUT REDUCED FOREIGN DEMAND FOR PHOSPHATES EXPERIENCED FIRST THREE MONTHS 1975. THIS DEVELOPMENT CONTRARY TO GOM EXPECTATIONS WHEN PRICE RAISED ANOTHER 8 PERCENT ON JANUARY 1 TO \$68 PER TON FOR BEST GRADE ROCK. IT FIRST INDICATION WE HAVE HAD OF GOM HAVING TO TAKE ANOTHER NOTCH IN FINANCIAL BELT.

2. FINMIN ATTRIBUTED DEMAND SOFTENING TO LATE RAINS IN EUROPE WHICH HAVE KEPT FARMERS OUT OF FIELDS. NO REDUCTION IN PRICES CONTEMPLATED; INSTEAD PRODUCTION SCHEDULES NOW REDUCED FROM 22.5 MILLION MT (REF C) TO 19.5 MILLION MT FOR 1975. DINI EXPRESSED CONVICTION FURTHER OUTPUT REDUCTION WOULD BE MADE IF NECESSARY TO PRECLUDE PRICE CUT. ACKNOWLEDGED THAT IF U.S. RETURNED TO WORLD MARKET AS SIGNIFICANT NET EXPORTER OR IF INCREASED THIRD COUNTRY PRODUCTION CAME ON MARKET IN REDUCED DEMAND CIRCUMSTANCES, NEW SITUATION COULD ARISE. BUT DINI REPORTS GOM SEEMS SATISFIED PRESSURE WHICH CANNOT BE CONTROLLED BY REDUCED MOROCCAN PRODUCTION UNLIKELY TO DEVELOP THIS YEAR.

3. AT SAME TIME, DINI ASSERTS GOM EXPECTS PHOSPHATE REVENUES OF \$1.7 BILLION FOR 1975. WE CANNOT RECONCILE THIS ARITHMETIC WITH OUR OWN. REF B USING \$63 PER TON, 21.5 MILLION MT OUTPUT ASSUMPTIONS, PROJECTED INCREMENTAL RISE OF \$100 MILLION IN 1975 PHOSPHATE REVENUES. REF C USING \$65 AVERAGE PRICE AND 22.5 MILLION MT LEVEL, ESTIMATES INCREMENTAL REVENUES COULD HAVE RISEN BY \$260 (I.E., FROM \$1.2 TO \$1.46 BILLION). BUT AT REDUCED 19.5 MILLION MT LEVEL REPORTED BY IMF TEAM, WE CALCULATE MAXIMUM \$1.3 BILLION.

4. WE WILL BE SEEING IMF PEOPLE AGAIN THIS WEEK AND WILL PROBE FURTHER. FOR PRESENT WE SPECULATE DINI MAY HAVE CONFUSED VAGUELY WORDED MAXIMUM GOM REVENUE HOPES BASED ON UNANNOUNCED, ACCELERATED EXPANSION OF OUTPUT TO 2.5 MILLION MT LEVEL DURING 1975. THIS WOULD HAVE BEEN ABOVE OUR OWN PROJECTION; BUT, THOUGH ON THE HIGH SIDE, COULD HAVE CONSTITUTED A REALIZABLE EXPANSION SINCE BEN GUERIR COMING INTO PRODUCTION THIS YEAR WITH FEWER PROBLEMS THAN MIGHT HAVE BEEN ANTICIPATED.

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5. COMMENT: IF IMF REPORT PROVES CORRECT AND 19.5 MILLION MT LEVEL HELD, GOM REVENUES (AND B/P) WOULD SUFFER BY \$160 MILLION. SLIGHTLY IMPROVED HARVEST OUTLOOK AFTER RECENT RAINS AND EASING PRICES OF MAJOR AGRICULTURAL IMPORTS SHOULD, HOWEVER, LEAVE US ABOUT AS WE WERE IN TERMS OF GOM OVERALL FINANCING NEEDS. MAJOR USG PROGRAMS AND PROPOSALS SHOULD THUS REMAIN UNAFFECTED BY THIS CHANGE. PHOSPHATES EXPORTS REMAIN CRITICAL ELEMENT IN GOM

BUDGET AND B/P, HOWEVER, AND WILL CONTINUE TO BEAR CLOSE  
WATCHING.  
NEUMANN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
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